

FOR EO: PPA Daily Update - February 16

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Date: Wed, 16 Feb 2022 20:16:59 +0000

Annette,

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For your approval:

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Partnership, Policy and Analysis

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Domestic Policy:

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Parliamentary Affairs

- FINTRAC officials were invited to appear at the Finance Standing Committee in the House of Commons as it studies Bill C-8, An act to implement certain provisions on economic and fiscal update.
- FINTRAC respectfully declined the invitation to appear before FINA on Bill C8. The clerk responded with thanks for considering the invitation. No additional communication/action.
- SPAR-D is preparing a folder with all relevant material for likely future requests to appear.

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Policy Development

- ~ SPAR-D currently compiling a list of all the current legislative and regulatory proposals being considered either internally or by the DoF, through the IDR and/or Budget processes. This will be disseminated to all Sectors in a call out for any additional proposals not already being considered, but that may have come up given the current environment and Emergency Order. The list/chart should be completed COB Feb. 16th, with a call out email going out Feb. 17th for input.
- ~ On Wednesday, the Bank of Canada's Retail Payment sector has offered to share their extensive research, background and policy analyses on the PSP ecosystem in coming days/within two weeks. They have also offered SME knowledge and assistance in policy development with FIN.

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SIRA

- Preparing a Backgrounder on visibility of VC transactions and the vulnerabilities and risks, particularly as it may relate to IMVE movements. Seeking to have a draft for Thursday.
- TF risks associated with Crowdfunding (updating the 2016 Research Report): First draft expected for Friday.
- Forthcoming: Financial Intelligence Report on the use of VC for TF.

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Monitoring of Financing via Virtual Assets

- OSINT Reporting on comments made by one of the organizers (and a listed director on the non-profit connected to the crowdfunding campaigns) noted that funding through the GoFundMe and GiveSendGo has been successfully halted and was not disbursed. He also noted the raising of funds through cryptocurrency, but—consistent with our monitoring—

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- Non-Fungible Tokens (NFTs): OSINT indicates more than 3,000 NFTs available on OpenSea and 2,000 NFTs listed for bidding on XChain with a connection to the movement at a wide range of price points.
- Pat King, a key organizer linked to the Freedom Convoy and self-proclaimed “freedom fighter”, encouraged supporters to go to a website for a “freedom convoy token.” The website lists King as a founder of the token, along with other individuals and a team of developers. The convoy coin website lists its initial cause to be fundraising—four percent of every transaction is to go into what’s called the “Freedom Convoy Foundation” — but states the long-term goal is to start the “development of a GoFundMe-like killer decentralized platform.”

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International Relationships

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INTERNATIONAL/MULTILATERAL FRAMEWORK

- ~ In the current Financial Action Task Force (FATF) regime, there are no recommendations that specifically cover crowdfunding platforms and the FATF definitions of FIs and DNFBPs do not cover these platforms either. It is for this reason that crowdfunding platforms are often not covered by AML-CFT regimes in other jurisdictions.
- ~ FATF’s *Recommendation 10* covers customer due diligence (CDD) for FIs and through their CDD FIs conduct due diligence on these platforms using a RBA.
- ~ FATF Recommendation 15 covers Virtual Assets. FATF’s *Updated Guidance for a Risk Based-Approach for Virtual Assets Service Providers*^[1] intends to help national authorities in understanding and developing regulations linked to digital currencies.

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FRAMEWORK IN KEY INTERNATIONAL JURISDICTIONS

- ~ Essentially, the Five Eyes partners do not regulate donation-based crowdfunding, except for the UK where certain laws apply for payment services providers **[TBC this pertains to AML/CTF]**.
- ~ In July 2021, the EU released a new anti-money laundering legislative package that will address a wide variety of new rules and regulations that will include non-regulated crowdfunding and related payment (internet) and virtual asset service providers. These new rules and regulations will address compliance regulations such as CDD and KYC requirements, as well as Suspicious Transaction Reporting (STR – or SAR) to Financial Intelligence Units. The legislative package is currently undergoing consultations and changes to the propose rules and legislation are likely **[Additional research is required to understand, more fully, the potential changes to the proposed legislative package]**.~

^[1] [Updated Guidance for a Risk-Based Approach for Virtual Assets and Virtual Asset Service Providers \(fatf-gafi.org\)](https://www.fatf-gafi.org/publications/fatfguidance/Pages/UpdatedGuidanceforaRiskBasedApproachforVirtualAssetsandVirtualAssetServiceProviders.aspx)